

An aerial photograph of a winding asphalt road cutting through a dense, lush green forest. The road curves from the top right towards the bottom center. A small red car is visible on the road. The text is overlaid on the image in white.

SARASIN

Six Minute Strategy

The great rotation begins

September 2024

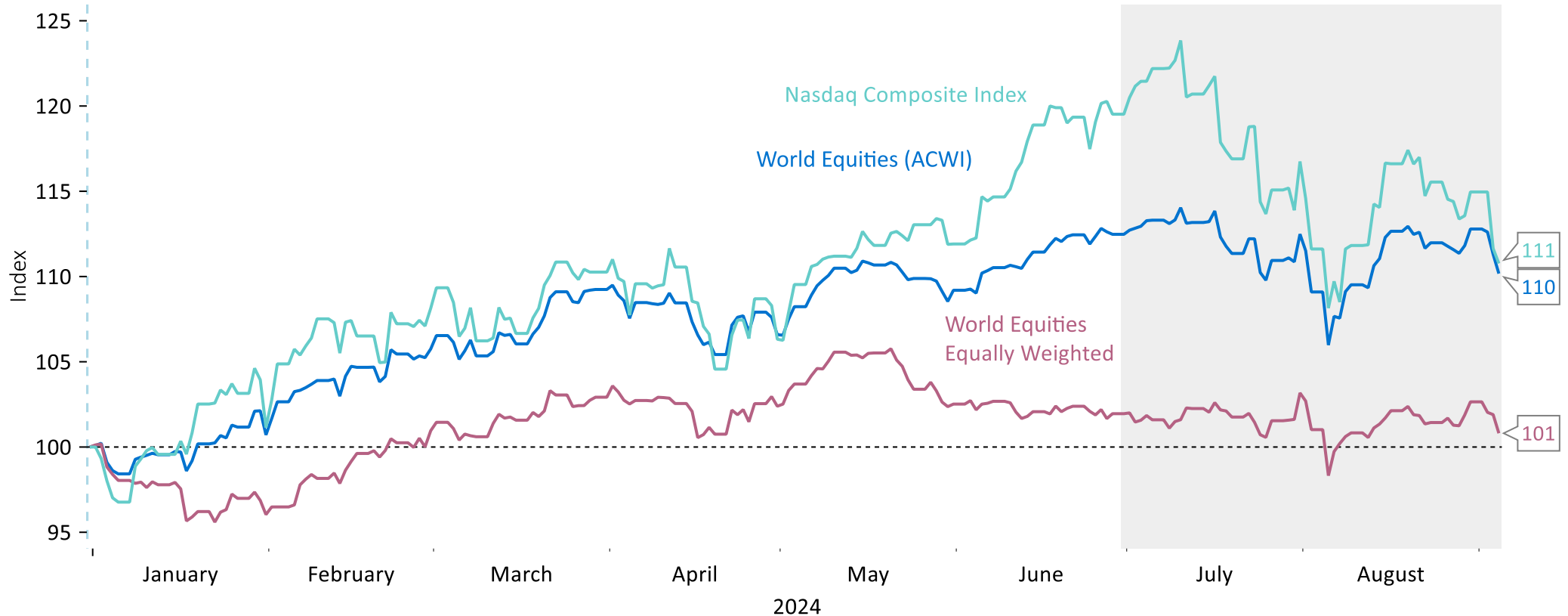
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Equity rotation begins as investors question AI market hype



Asset returns 2024 to date (£ based)

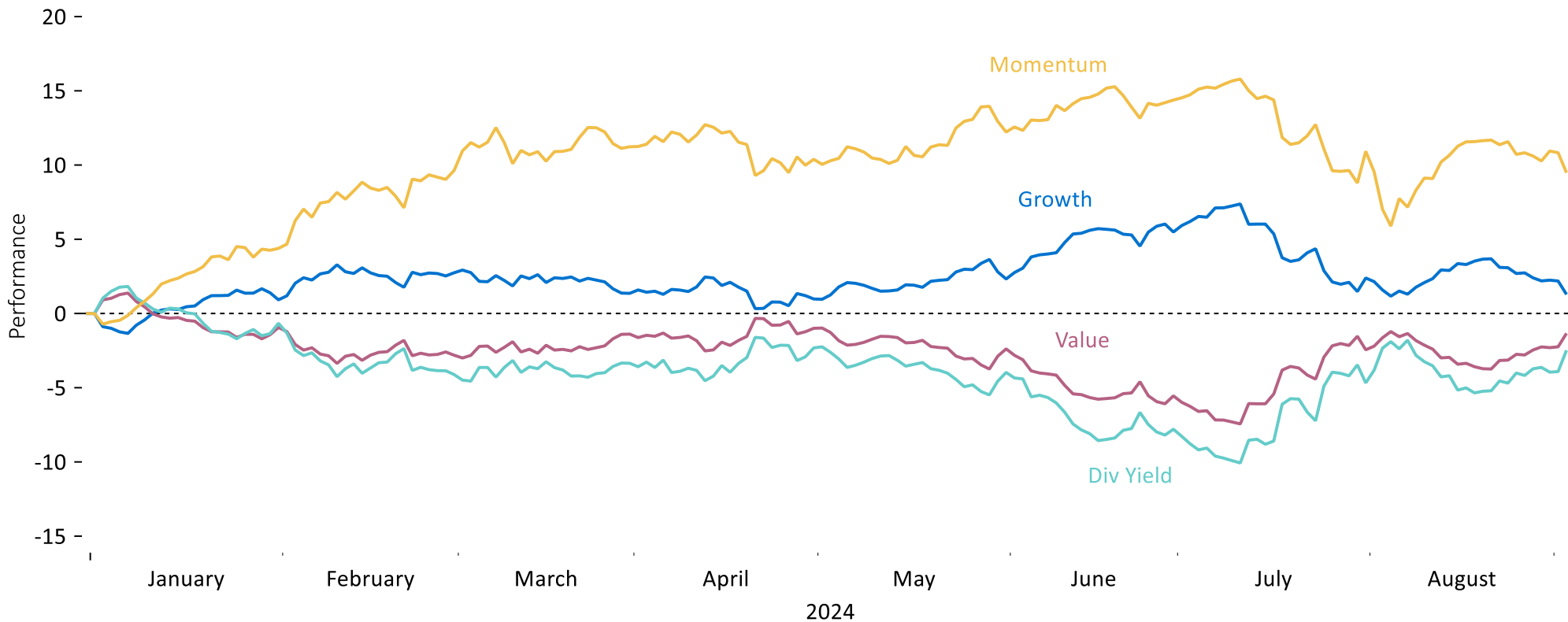


Source: Macrobond, 05.09.24

Past performance is not a reliable indicator of future results and may not be repeated.

Value and Dividend strategies recovering as Momentum fades

Factor and style performance in 2024 (MSCI ACWI)



Source: Macrobond, 04.09.24

Equity volatility rose near to 2011 Euro-Crisis in August

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Equity market rotation continuing behind the scenes

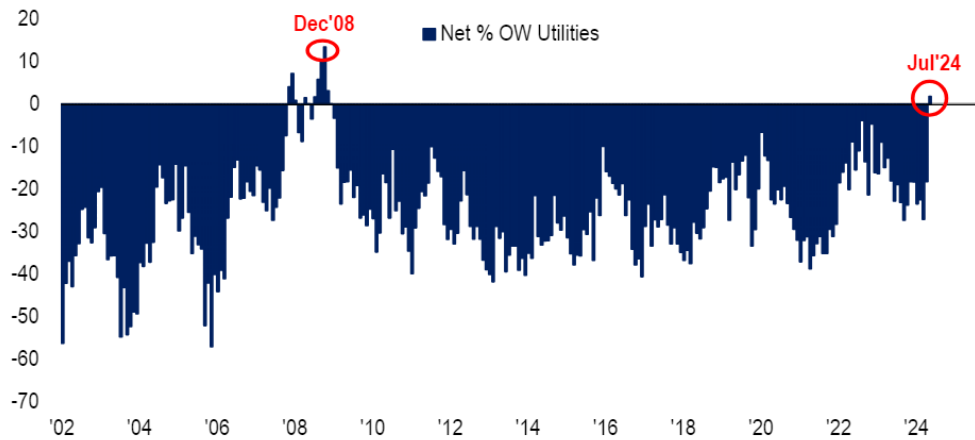
Managers watching AI risks across equity portfolios



Fund managers go overweight utilities for the first time in 15 years

Chart 13: FMS investors are overweight utilities for the 1st time since Feb'09

FMS Net % Overweight Utilities



Source: BofA Global Fund Manager Survey

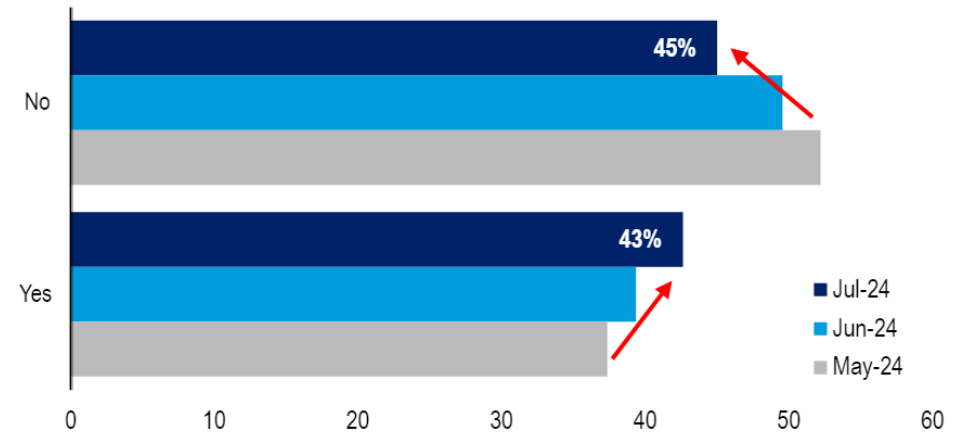
BofA GLOBAL RESEARCH



Bubble risk in AI rising?

Chart 15: Investors split on whether or not AI is a bubble

Do you think that AI stocks are in a bubble?



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Can equity leadership change without a market correction?

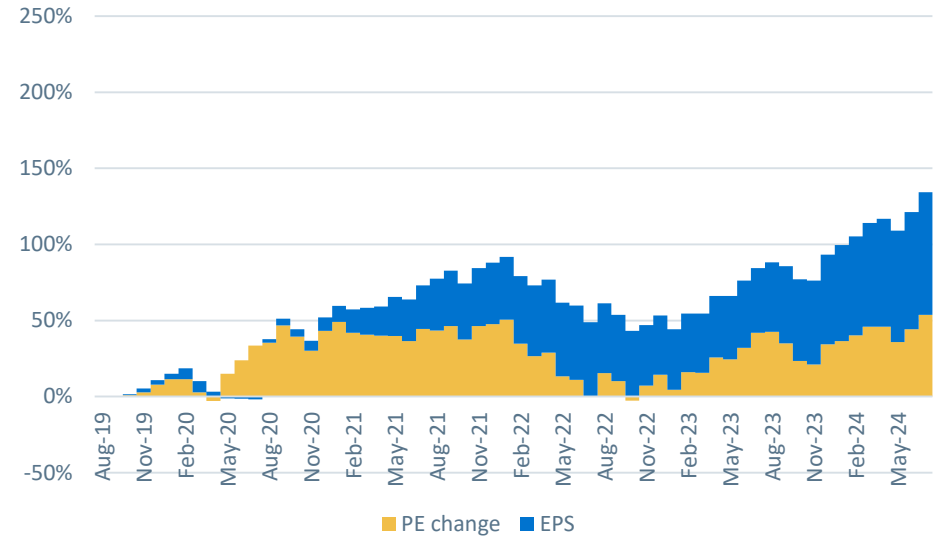
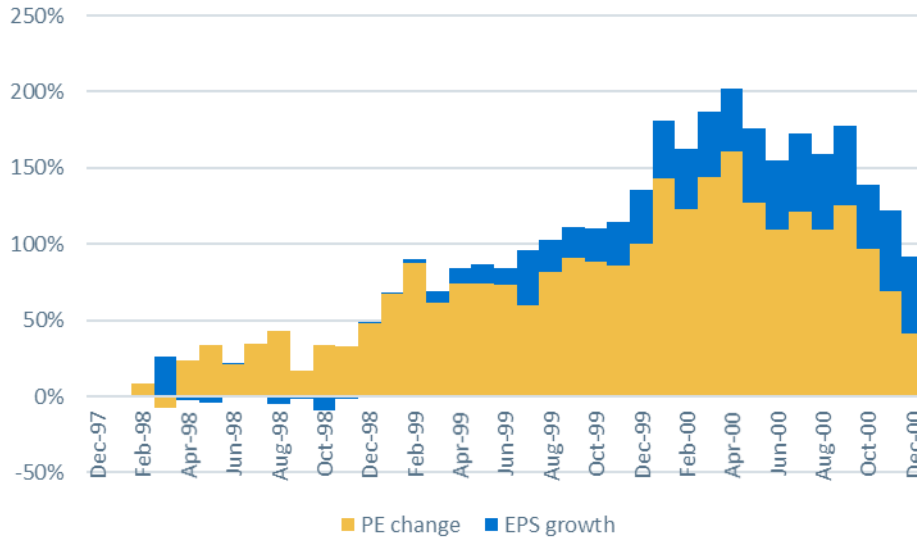
This time technology stocks are backed by very robust cashflows



1998-2000: MSCI world tech sector return decomposition



2019 – 2024: MSCI world tech sector return decomposition



1998 – 2000 period was a run of ‘triumph of hope’:

- The market tech rally was stronger and faster than the current rally
- It was almost entirely driven by expansion of the price, rather than profit growth
- *The hang-over for markets lasted for almost two years*

The AI / tech rally this time has been more measured:

- Slower pace of performance
- Profits growth was a significant contributor to returns
- *But massive capital investment in AI will need to show a return for AI / tech rally to continue*

Source: Bloomberg & Sarasin, Aug 2024

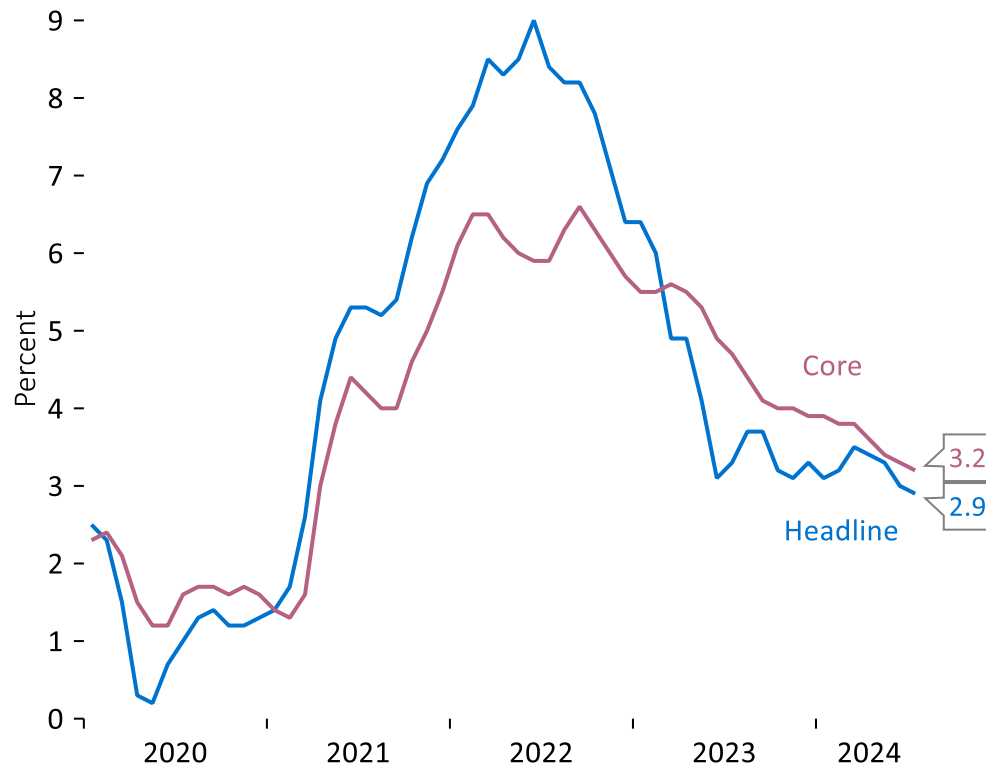
A US soft landing is still the likely outcome in 2025

“The good news is the labour market and economy are prospering” Raphael Bostic, FOMC voting member, Sept 2024



Monthly US inflation data weakening

Measures of US CPI Inflation

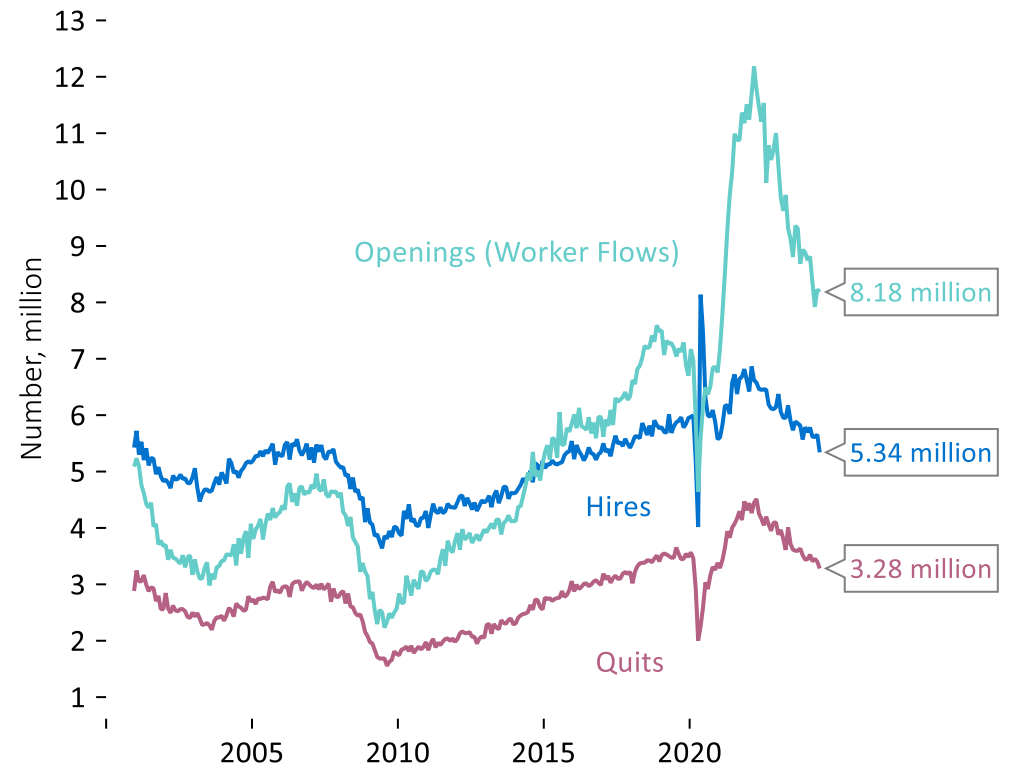


Source: Macrobond, 04.09.24



US labour market conditions are clearly easing

US, Labour Turnover, Nonfarm, Total



Source: Macrobond, 04.09.24

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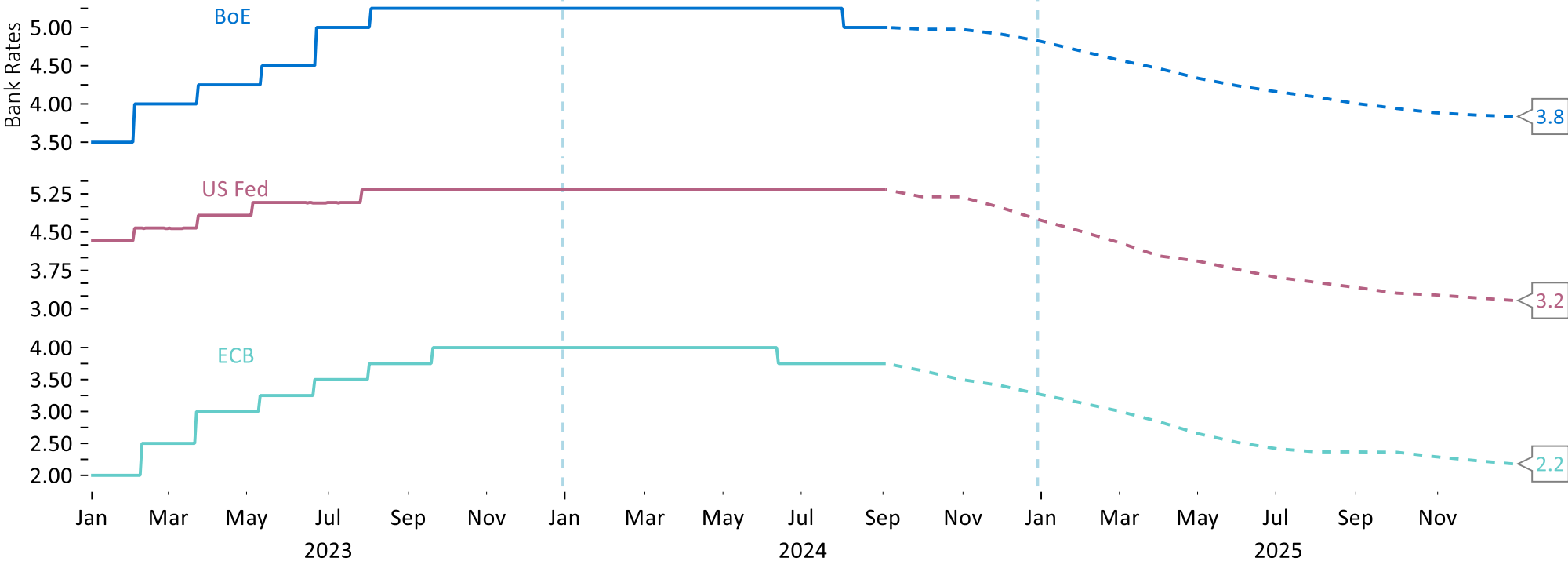
Interest rates have peaked globally

Market projections for interest rates to end 2025



We see three ¼ point US rate cuts in 2024, quarterly through 2025. UK: one more cut this year, at least quarterly in 2025

Central banks' policy rates and market-implied rate trajectories



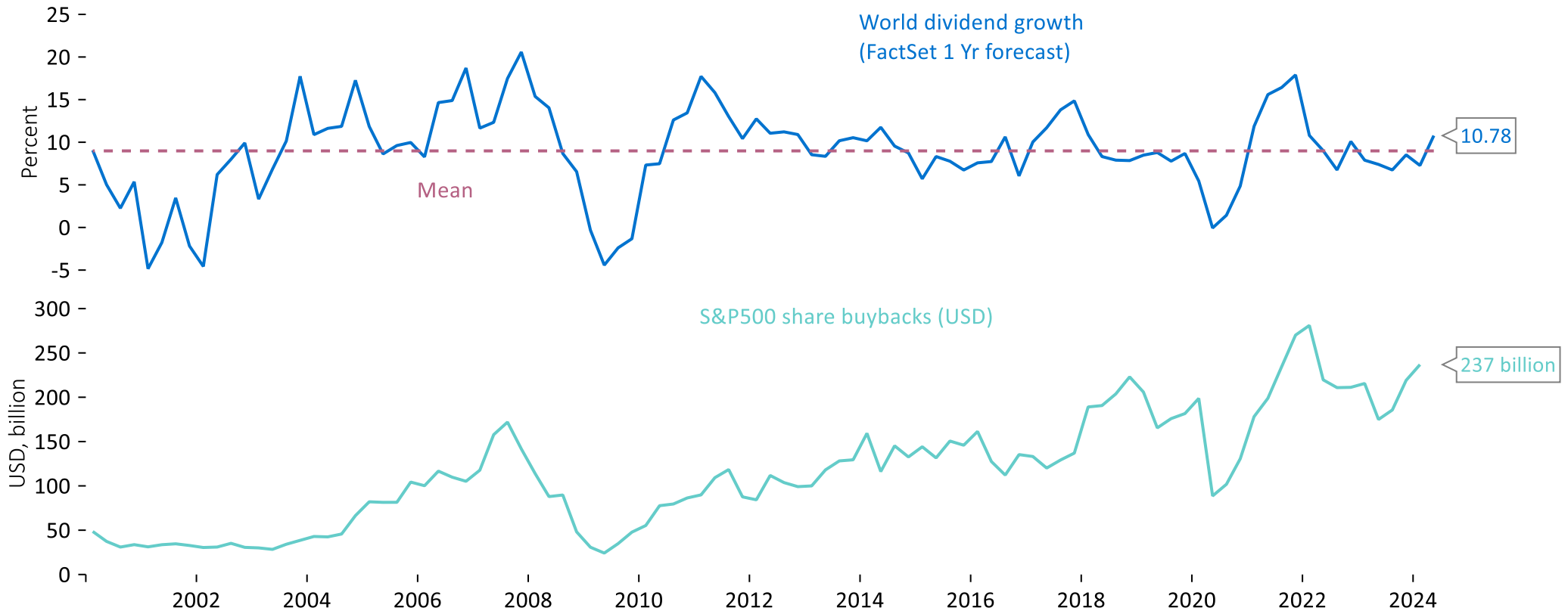
Source: Macrobond, 04.09.24

Dividends and share buybacks remain robust

Stronger earnings driving higher dividends and share buybacks



Global dividend growth and US stock buybacks plentiful



Source: Macrobond, 04.09.24

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